

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT AUTHORIZING THE ISSUANCE OF LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT SEWER AND DRAINAGE SYSTEM SUBORDINATED PROGRAM NOTES IN THE MAXIMUM OUTSTANDING PRINCIPAL AMOUNT OF \$500,000,000, CONSISTING OF COMMERCIAL PAPER NOTES AND DIRECT PURCHASE NOTES

WHEREAS, the Board (the "Board") of the Louisville and Jefferson County Metropolitan Sewer District (the "District") is authorized by, among other things, the provisions of Chapters 65, 58 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended (collectively, the "Act") to issue and sell its notes for the purpose of financing or refinancing capital projects; and

WHEREAS, pursuant to the Act and the provisions of the District's Sewer and Drainage System Revenue Bond Resolution as adopted on December 7, 1992, as amended March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (as the same may be further amended and supplemented from time to time, the "General Bond Resolution"), the District has previously issued its Sewer and Drainage System Revenue Bonds and may from time to time issue additional bonds, notes or other obligations on a parity as to security and sources of payment therewith pursuant to the General Bond Resolution (collectively, "Bonds"); and

WHEREAS, pursuant to the Act and Section 5.10 of the General Bond Resolution, the District desires to authorize the issuance, from time to time, of one or more series of its Sewer and Drainage System Subordinated Program Notes, or renewals thereof (the "Program Notes") in an aggregate principal amount not to exceed five hundred million dollars (\$500,000,000) at any one time outstanding for the purpose of financing Eligible Project Costs (as hereinafter defined) and to refinance, renew or refund Program Notes, Bonds or Subordinate Lien BANS (as hereinafter defined), all in accordance with the terms of this resolution (the "Program Note Resolution") hereinafter set forth; and

WHEREAS, in accordance with Section 5.10 of the General Bond Resolution the pledge of all revenues securing the Program Notes to be issued under authority of this Program Note Resolution shall be, and is hereby expressly made to be, subordinate and junior in all respects to the pledge and lien securing the District's Bonds issued under authority of the General Bond Resolution and shall constitute "Senior Subordinated Debt" within the meaning of the General Bond Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of the District as follows:

**Section 1. Definitions and Findings.** The terms below have following meanings, unless the text specifically indicates otherwise:

"Act" shall mean, collectively, Chapters 65, 58 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended.

"Advance" shall mean (i) all Loans as defined in and made pursuant to the terms and conditions of the Revolving Credit Agreements, and (ii) any obligations of the District to the Banks under the Revolving Credit Agreements or the Fee Letters, as applicable.

"Authorized Denomination" shall mean (i) with respect to Commercial Paper Notes, \$100,000 or integral multiples of \$1,000 in excess of \$100,000 and (ii) with respect to Direct Purchase Notes, \$1,000,000 or integral multiples of \$100,000 in excess of \$1,000,000.

"Authorized Representative" shall mean one or more of the following officers or employees of the District, acting in concert or individually: the Chair or Vice-Chair, the Chief Financial Officer of the District, the Secretary-Treasurer, any Assistant Secretary- Treasurer or any other officer or employee of the District designated in writing by the Chair or Vice-Chair of the Board or the Chief Financial Officer of the District, and approved by the Board, to act as an Authorized Representative.

"BANA" shall mean Bank of America, N.A. and its successors and assigns under the Agreement and the BANA Note Purchase Agreement.

"BANA Commercial Paper Notes" shall mean Commercial Paper Notes issued under the BANA Commitment.

"BANA Commitment" shall mean \$250,000,000, the maximum amount available to be drawn under the BANA Revolving Credit Agreement for the payment of the principal of and interest on the BANA Commercial Paper Notes, as this aggregate amount may be reduced and reinstated from time to time as provided in the BANA Revolving Credit Agreement, including, without limitation in connection with BANA Direct Purchase Notes purchased by BANA pursuant to the BANA Note Purchase Agreement.

"BANA Direct Purchase Notes" shall mean Program Notes issued as direct purchase notes pursuant to the terms of this Program Note Resolution to be purchased by BANA in accordance with the terms of the BANA Note Purchase Agreement.

"BANA Fee Letter" shall mean any fee letter or similar agreement between the District and BANA in connection with the BANA Revolving Credit Agreement and the BANA Note Purchase Agreement.

"BANA Note Purchase Agreement" shall mean the Note Purchase Agreement between the District and BANA, pursuant to which the purchase of BANA Direct Purchase Notes shall be governed, and as from time to time amended, restated or supplemented.

"BANA Revolving Credit Agreement" shall mean the Revolving Credit Agreement between the District and BANA, together with any BANA Bank Notes, and any amendments or supplements, to provide liquidity support for the BANA Commercial Paper Notes.

"Banks" shall mean, collectively, BANA and JPMCB.

"Bank Note" shall mean a promissory note or notes issued pursuant to this Program Note Resolution and the Revolving Credit Agreements (including any Bank Notes, as defined in a Revolving Credit Agreement) to evidence and secure Advances made by the Banks, having the

terms and characteristics contained in, and issued in accordance with, the Revolving Credit Agreements.

"Board" shall mean the governing body of the District.

"Bond Counsel" means a nationally recognized municipal bond attorney or firm of municipal bond attorneys, acceptable to the District.

"Bonds" shall mean a series or issue of bonds, notes, or similar obligations (other than the Program Notes, the Bank Notes or the Revolving Credit Agreements) issued or incurred by the District under the General Bond Resolution, payable from and secured solely by a lien on and pledge of the Pledged Property, superior in rank and dignity to the lien and pledge of the Pledged Property securing the payment of the Subordinate Lien BANS and the Program Notes.

"Business Day" shall mean any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which banking institutions in the Commonwealth of Kentucky or the State of New York are authorized or obligated by law or executive order to be closed, (iv) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, (v) a day on which banks are authorized or obligated by law or executive order to be closed in (a) the city in which the office of the Paying Agent is located, (b) the city in which the principal office of any Dealer is located or the city in which the offices of either of the Banks is located, and (vi) a Commonwealth of Kentucky legal holiday.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commercial Paper Notes" shall mean Program Notes issued as commercial paper notes pursuant to the terms of this Program Note Resolution and shall include, except when the context otherwise requires, the Bank Notes.

"Commitments" shall mean, collectively, the BANA Commitment and the JPMCB Commitment.

"Contractual Obligations" shall mean those obligations (i) issued or incurred by the District payable from the Pledged Property, (ii) incurred pursuant to express statutory authority and (iii) which by the terms of the resolution authorizing their issuance or the incurring of the obligation provide for payments to be made by the District for their retirement or payment to be equally and ratably secured with the Bonds by a lien on and pledge of the Pledged Property.

"Dealer" shall mean, (i) with respect to the BANA Commercial Paper Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and (ii) with respect to the JPMCB Commercial Paper Notes, JP Morgan Securities, LLC, each as so designated in Section 41(c) hereof.

"Dealer Agreement" shall mean each of the agreements authorized to be entered into pursuant to Section 41(c) hereof, as from time to time amended or supplemented.

"Designated Office" means, with respect to the Program Notes, the corporate trust office of the Paying Agent/Registrar designated as the place for payment, transfer and exchange of the Program Notes, initially, the corporate trust office of the Issuing and Paying Agent in New York, New York.

"Direct Purchase Payment Fund" shall mean the account so designated in Section 17 hereof.

"Direct Purchase Notes" shall mean Program Notes issued as direct purchase notes pursuant to the terms of this Program Note Resolution to be purchased by the Banks in accordance with the terms of the Note Purchase Agreements.

"District" shall mean the Louisville and Jefferson County Metropolitan Sewer District Louisville, Kentucky.

"DTC" shall mean The Depository Trust Company, New York, New York.

"DTC Participant" shall mean the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Eligible Investments" shall mean any or all of the authorized investments described in Section 66.480 of the Kentucky Revised Statutes, as the same may be amended or supplemented from time to time, in which the District may purchase, sell and invest its funds and funds under its control.

"Eligible Project" shall mean the acquisition or construction of improvements, additions or extensions for the System, including capital assets and facilities incident and related to their operation, maintenance and administration, all as provided in the Act.

"Fee Letters" shall mean, collectively, the BANA Fee Letter and the JPMCB Fee Letter in connection with the Revolving Credit Agreements and the Note Purchase Agreements.

"Fiscal Year" shall mean the twelve month financial accounting period used by the District in connection with the operation of the Systems, which shall be the period commencing on July 1 of any calendar year and ending on June 30 of the ensuing calendar year.

"General Bond Resolution" shall mean the District's Sewer and Drainage System Revenue Bond Resolution as adopted on December 7, 1992, as amended March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003, as the same may be further amended and supplemented from time to time.

"Holder" or "Noteholder" shall mean any person, firm, association, or corporation who is in possession of any Program Note drawn, issued or endorsed to that person, firm, association or corporation or to the order of that person, firm, association or corporation or to bearer or in blank, including, unless the context shall otherwise require, the Banks.

"Issuing and Paying Agent," "Paying Agent/Registrar" or "Registrar" shall mean the agent appointed pursuant to Section 3(a) hereof, or any successor to the agent.

"Issuing and Paying Agent Agreement" shall mean the agreement authorized to be entered into by Section 41(a) hereof, as from time to time amended or supplemented.

"JPMCB" shall mean JPMorgan Chase Bank, National Association and its successors and assigns under the Agreement and the JPMCB Note Purchase Agreement.

"JPMCB Commercial Paper Notes" shall mean Commercial Paper Notes issued under the JPMCB Commitment.

"JPMCB Commitment" shall mean \$250,000,000, the maximum amount available to be drawn under the JPMCB Revolving Credit Agreement for the payment of the principal of and interest on the JPMCB Commercial Paper Notes, as this aggregate amount may be reduced and reinstated from time to time as provided in the JPMCB Revolving Credit Agreement, and as such amount may be reduced and reinstated pursuant to the terms of the JPMCB Note Purchase Agreement.

"JPMCB Direct Purchase Notes" shall mean Program Notes issued as direct purchase notes pursuant to the terms of this Program Note Resolution to be purchased by JPMCB in accordance with the terms of the JPMCB Note Purchase Agreement.

"JPMCB Note Purchase Agreement" shall mean the Note Purchase Agreement between the District and JPMCB, pursuant to which the purchase of JPMCB Direct Purchase Notes shall be governed, and as from time to time amended, restated or supplemented.

"JPMCB Revolving Credit Agreement" shall mean the Revolving Credit Agreement between the District and JPMCB, together with any JPMCB Bank Notes, and any amendments or supplements, to provide liquidity support for the JPMCB Commercial Paper Notes.

"Maximum Interest Rate" shall mean 10% for Tax-Exempt Notes and 12% for Taxable Notes.

"Maximum Maturity Date" shall mean July 1, 2021.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Net Revenues" for any period shall mean Revenues, less Operating Expenses for such period.

"Note Construction Account" shall mean the account so designated in Section 18 hereof.

"Note Payment Fund" shall mean the fund so designated in Section 16 hereof and constituting an account within the Senior Subordinated Debt Fund established under the General Bond Resolution.

"Note Purchase Agreements" shall mean, collectively, the BANA Note Purchase Agreement and the JPMCB Note Purchase Agreement, pursuant to which the purchase of Direct Purchase Notes shall be governed, and as from time to time amended, restated or supplemented.

"Operating Expenses" shall mean the District's reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Operating Expenses shall include, without limiting the generality of the foregoing, (i) expenses not annually recurring, (ii) administrative and engineering expenses (to the extent not paid or

reimbursed as a Project Cost), payments to pension or retirement funds properly chargeable to the System, insurance premiums, fees and expenses of Paying Agents and legal expenses, (iii) interest on, redemption premium on, or principal of, Subordinated Debt, (iv) any other expenses required to be paid by the District under the provisions of the General Bond Resolution or by law and (v) amounts reasonably required to be set aside in reserves for operating items or expenses the payment of which is not then immediately required.

However, Operating Expenses do not include (i) reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Bond Fund or the Renewal and Replacement Account, nor any amounts paid or required to be paid to the United States of America pursuant to the General Bond Resolution (except to the extent such rebate amounts must be paid from Revenues other than the investment income that generated the liability to the United States), (ii) non-capital Project Costs or other costs, to the extent composed of non-capital expenses, salaries, wages and fees that are necessary or incidental to capital improvements for which debt has been issued and which may be paid from proceeds of such debt or (iii) losses from the sale, abandonment, reclassification, revaluation or other disposition of properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of the District.

"Pledged Property" shall mean and include the following property, as and when received by or for the account of the District, in each case pending the application or expenditure thereof in accordance with the General Bond Resolution: (i) the proceeds of sale of Bonds to retire the Program Notes, (ii) the proceeds of the Program Notes, (iii) all Revenues, (iv) all amounts on deposit in the funds or accounts established under the General Bond Resolution, subject to the application thereof in accordance with the General Bond Resolution, (v) such other amounts as may be pledged from time to time by the District as security for the payment of Program Notes and (vi) all proceeds of the foregoing.

"Program Note Resolution" shall mean this Program Note Resolution.

"Program Notes" shall mean the Commercial Paper Notes and the Direct Purchase Notes issued as notes pursuant to the terms of this Program Note Resolution.

"Project Costs" shall mean all costs and expenses incurred in relation to Eligible Projects, including, without limitation, design, planning, engineering and legal costs, acquisition costs of land, interests in land, right-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project; financing costs, including interest during construction and thereafter, underwriter's discount and/or fees for legal, financial, and other professional services; and reimbursement for Project Costs attributable to Eligible Projects incurred prior to the issuance of any Program Notes.

"Regulations" shall mean all applicable temporary, proposed and final regulations and procedures promulgated under the Code or the Internal Revenue Code of 1954, to the extent applicable to the Code.

"Revenue Fund" shall mean the fund so established and designated in the General Bond Resolution.

"Revenues" means all revenues, rates, fees, rents, charges and other operating income and receipts, as derived by or for the account of the District from or for the operation, use or services of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Revenues shall include, without limiting the generality of the foregoing, (i) revenue from capital charges recovered or reimbursed to the District, capacity charges and service connection fees, (ii) acquisition surcharges and assessments levied by the District (regardless of whether any of the same are allocated or designated by the District for capital expenditures) and (iii) interest or other income received or to be received from any source, including but not limited to interest or other income received or to be received on any monies or securities held pursuant to the General Bond Resolution. Revenues shall not include customer deposits and contributions in aid of construction, except to the extent the same would constitute revenues or income in accordance with generally accepted accounting principles.

"Revolving Credit Agreement" shall mean each of the BANA Revolving Credit Agreement and the JPMCB Revolving Credit Agreement and any other agreement by and between the District and a liquidity provider executed and delivered in substitution for or replacement of either the BANA Revolving Credit Agreement or the JPMCB Revolving Credit Agreement providing a credit or liquidity facility supporting the Commercial Paper Notes, including any Bank Notes to be issued and delivered under the agreement evidencing any loans made or to be made to the District, providing additional security and liquidity for the payment of the Program Notes, and as from time to time the agreement may be amended, restated or supplemented.

"Renewal and Replacement Fund" shall mean the fund established and so designated under the General Bond Resolution

"Senior Subordinated Debt" shall mean, collectively, the Program Notes and Subordinate Lien BANS.

"Senior Subordinated Debt Fund" shall mean the fund established and so designated under the General Bond Resolution.

"Subordinate Lien BANS" shall mean the District's Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2017 and any renewals thereof, issued pursuant to the authority of the Subordinated Debt Resolution adopted by the District on April 26, 2010, as the same may be further amended and supplemented from time to time (the "Subordinated BANS Resolution").

"System" shall mean means (i) the sewer facilities, drainage facilities and all appurtenant facilities or any other facilities owned, operated or controlled by the District from time to time, (ii) any Project and (iii) all improvements, additions, extensions and betterments to the foregoing which may be hereafter acquired by the District by any means whatsoever; provided that, notwithstanding the foregoing, and to the extent authorized or permitted by law, the term "System" shall not include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by the District, or in participation with others, with the proceeds from the issuance of "Special Facilities Bonds," which are defined as being special revenue obligations of the District which are not Bonds, Program Notes or Subordinate Lien BANS, but which are payable from and secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of Bonds, Program Notes or Subordinate Lien

BANS including, but not limited to, special contract revenues or payments received from any other legal entity in connection with the special facilities.

"Taxable Notes" shall mean Commercial Paper Notes designated by the District as such, the interest on which is includable in the "gross income" of the holder for purposes of federal income taxation.

"Tax-Exempt Notes" shall mean Program Notes designated by the District as obligations described in Section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation.

Terms not defined by, but used in, this Program Note Resolution shall have the meanings given in the Note Purchase Agreements or the Revolving Credit Agreements, as the context requires.

If appropriate in the context of the Program Note Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders. Unless the context requires otherwise, all references in this Program Note Resolution to designated Sections and other subdivisions are to the Sections and other subdivisions of this Program Note Resolution. References to any named person means that party and its successors and assigns. References to officials and officers mean the person holding the position in a permanent, acting or interim capacity. References to any constitutional, statutory or regulatory provision means the provision as it exists on the date of adoption of this Program Note Resolution and any future amendments to or successor provisions of the constitutional, statutory or regulatory provision.

**Section 2. Authorization; Designation; Principal Amount; Purpose.** Acting under authority of the Act, the Board authorizes the issuance of Program Notes, designated the "LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT SEWER AND DRAINAGE SYSTEM SUBORDINATED PROGRAM NOTES". The Program Notes may be issued in an aggregate principal amount not to exceed five hundred million dollars (\$500,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew or refund Program Notes issued under this Program Note Resolution; provided, further however, that the maximum principal amount of Program Notes at any one time outstanding under the BANA Commitment shall not exceed the amount available under the BANA Commitment after taking into account amounts under the BANA Commitment required to provide for the payment of interest on such Program Notes, and the maximum principal amount of Program Notes at any one time outstanding under the JPMCB Commitment shall not exceed shall not exceed the amount available under the JPMCB Commitment after taking into account amounts under the JPMCB Commitment required to provide for the payment of interest on such Program Notes.

Program Notes issued under authority of the Program Note Resolution shall consist of (i) Commercial Paper Notes and (ii) Direct Purchase Notes. Commercial Paper Notes shall be designated as "LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT SEWER AND DRAINAGE SYSTEM SUBORDINATED PROGRAM NOTES, COMMERCIAL PAPER SUB-SERIES." Direct Purchase Notes shall be designated as "LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT SEWER



AND DRAINAGE SYSTEM SUBORDINATED PROGRAM NOTES, DIRECT PURCHASE SUB-SERIES.”

Each Authorized Representative is hereby delegated the authority to effect the issuance and sale of Program Notes, either in the form of Commercial Paper Notes or Direct Purchase Notes, all within certain specified parameters set forth in this Program Note Resolution. The sale from time to time of Commercial Paper Notes or Direct Purchase Notes on the terms determined by an Authorized Representative is deemed to be in the best interests of the District.

In connection with the issuance of Commercial Paper Notes, Bank Notes may be issued and shall initially be issued in an amount equal to the respective Commitments, reflecting the aggregate maximum principal amount of Commercial Paper Notes that may be issued under this Program Note Resolution, plus interest thereon, calculated on the basis of a 365 day year, for two hundred seventy (270) days at the Maximum Interest Rate, for the purpose of evidencing Advances to retire maturing Commercial Paper Notes and all other obligations of the District under the Agreements; all in accordance with and subject to the terms, conditions and limitations contained in this Program Note Resolution and, with respect to the Bank Notes, the Revolving Credit Agreements. Any portion of outstanding Commercial Paper Notes to be paid from money on deposit in the Note Payment Fund held by the Issuing and Paying Agent on the day of calculation and from the available proceeds of Commercial Paper Notes or Bonds or other obligations of the District issued on the day of calculation, the proceeds of which are deposited in the Note Payment Fund on the day of calculation, shall not be considered Outstanding. The authority to issue Commercial Paper Notes from time to time under the provisions of the Program Note Resolution shall exist until the Maximum Maturity Date, regardless of whether prior to the Maximum Maturity Date there are at any time no outstanding Commercial Paper Notes. Commercial Paper Notes may not be issued to refinance or refund Bonds, Subordinate Lien BANS or Direct Purchase Notes without the prior approval of the Board and the Banks.

In connection with the issuance of Direct Purchase Notes, the terms of the Note Purchase Agreements shall govern the conditions to their issuance. Any portion of outstanding Direct Purchase Notes to be paid from money on deposit in the Direct Purchase Payment Fund on the day of calculation and from the available proceeds of Direct Purchase Notes or Bonds or other obligations of the District issued on the day of calculation, the proceeds of which are deposited in the Direct Purchase Payment Fund on the day of calculation, shall not be considered Outstanding. The authority to issue Direct Purchase Notes from time to time under the provisions of this Program Note Resolution shall exist until the Maximum Maturity Date, regardless of whether prior to the Maximum Maturity Date there are at any time no outstanding Direct Purchase Notes. Direct Purchase Notes shall not have a stated maturity in excess of three hundred sixty (360) days. Direct Purchase Notes may not be issued to refinance or refund Bonds, Subordinate Lien BANS or Commercial Paper Notes without the prior approval of the Board and the Banks.

In connection with the refinancing or refunding of Program Notes, Bonds, Subordinate Lien BANS and any other authorized obligations of the System, including interest, other than through a contemporaneous redemption and discharge of the refunded obligations, shall be by means of a gross defeasance established at the time of the issuance of the refunding commercial paper notes or direct purchase notes, and the selection of Program Notes, Bonds, Subordinate Lien BANS and any other authorized obligations of the System to be so refunded or refinanced shall be made in the manner the Board determines.

### **Section 3. Terms Applicable to the Program Notes**

(a) *Terms Applicable to the Commercial Paper Notes.*

Subject to the limitations contained in this Program Note Resolution, Program Notes issued as Commercial Paper Notes shall be dated on or before, and within thirty (30) days of, their date of issuance (Note Date), as determined by an Authorized Representative; shall bear interest at a fixed rate or rates per annum computed on the basis of actual days elapsed and a 365-day year (but in no event in any case to exceed the Maximum Interest Rate) as may be determined by an Authorized Representative or the Dealer acting at the request of an Authorized Representative; and all Commercial Paper Notes shall mature on or before the Maximum Maturity Date.

Subject to the Maximum Interest Rate limitation, Commercial Paper Notes may be issued without a fixed numerical rate of interest for their stated term to bear interest in accordance with any clearly stated formula or method of calculation set forth in the Commercial Paper Note as determined by an Authorized Representative.

Subject to applicable terms, limitations and procedures contained in this Program Note Resolution, Commercial Paper Notes may be sold at public or private sale and at par (within the interest rate restrictions provided in the Program Note Resolution) as an Authorized Representative shall approve at the time of sale. Commercial Paper Notes may be issued as Taxable Notes or Tax-Exempt Notes, as designated in writing by an Authorized Representative.

The Board hereby designates and appoints U.S. Bank National Association as the Issuing and Paying Agent and Registrar for the Commercial Paper Notes, and the District covenants to keep and maintain with the Registrar at its Designated Office books and records (Registration Books) for the registration, payment, transfer and exchange of the Commercial Paper Notes, all as provided in this Program Note Resolution and reasonable rules and regulations as the Registrar may prescribe. The District covenants to maintain and provide a Registrar at all times while the Commercial Paper Notes are outstanding, which shall be a national or state banking association or corporation or trust company organized and doing business under the laws of the United States of America or of any state and authorized under its laws to exercise trust powers. Should a change in the Issuing and Paying Agent for the Commercial Paper Notes occur, the District agrees to promptly cause a written notice thereof to be (i) sent to the Banks, the Dealer and to each registered owner of the Commercial Paper Notes then Outstanding by United States mail, first-class postage prepaid, and (ii) published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two calendar weeks; provided, however, publication of notice is not required if notice is sent to each Holder of the Commercial Paper Notes. The notice shall give the address of the successor Issuing and Paying Agent. The Board may appoint a successor Issuing and Paying Agent without the consent of the Holders.

The Commercial Paper Notes shall be issued in registered form, without coupons; provided, however, Commercial Paper Notes issued as Taxable Notes may be registered to bearer. The principal of and interest on the Commercial Paper Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder of the Commercial Paper Note; principal is to be payable upon presentation and surrender of the Commercial Paper Note at the Designated Office and interest is to be payable to the registered

owner thereof (when registered other than to bearer) either (i) by check sent by United States mail, first-class postage prepaid, to the address of the registered owner appearing on the Registration Books of the District maintained by the Registrar or (ii) by any other method, acceptable to the Issuing and Paying Agent, requested by the Holder, but interest on a Commercial Paper Note issued as a Taxable Note registered to bearer shall be payable only upon presentation of the Commercial Paper Note at the Designated Office.

A copy of the Registration Books shall be provided to the District by the Issuing and Paying Agent, by means of telecommunications equipment or other means as are mutually agreed to, within two Business Days of either the opening of the Registration Books or any change in the Registration Books.

The District and the Issuing and Paying Agent may treat the bearer (in the case of Commercial Paper Notes so registered) or the registered payee as the absolute owner of any Commercial Paper Note for the purpose of receiving payment and for all purposes, and the District and the Issuing and Paying Agent shall not be affected by any notice or knowledge to the contrary.

If an Authorized Representative determines that it is possible and desirable to provide for a book-entry only system of Commercial Paper Note registration with DTC, the Authorized Representative, acting for and on behalf of the District, is authorized to approve, execute, and deliver a Letter of Representations to DTC and to enter into any other agreement and execute any instrument as is necessary to implement a book-entry only system, with approval to be conclusively evidenced by the execution by the Authorized Representative of the agreement or instrument. Under the initial book-entry only system with DTC, no physical Commercial Paper Note certificates will be delivered to DTC. The execution and delivery to the Issuing and Paying Agent, as custodian for DTC, of a master note (Master Note) with respect to the Commercial Paper Notes, is approved. The ownership of the Commercial Paper Notes held in the book-entry-only system shall be registered in the name of Cede & Co., as nominee of DTC, which will serve as the initial securities depository for the Commercial Paper Notes. Ownership of beneficial interests in the Commercial Paper Notes shall be shown by book-entry on the system maintained and operated by DTC and DTC Participants, and transfers of ownership of beneficial interests shall be made only by DTC and the DTC Participants by book-entry. The District and the Issuing and Paying Agent have no responsibility for DTC's book-entry system. DTC will be required to maintain records of the positions of the DTC Participants in the Commercial Paper Notes, and the DTC Participants and persons acting through the DTC Participants will be required to maintain records of the purchasers of beneficial interests in the Commercial Paper Notes. During any period when a book-entry only system is in effect, except as provided above, the Commercial Paper Notes shall not be transferable or exchangeable, except for transfer to another securities depository or to another nominee of a securities depository.

With respect to Commercial Paper Notes registered in the name of DTC or its nominee, neither the District nor the Issuing and Paying Agent shall have any responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Commercial Paper Notes. Without limiting the immediately preceding sentence, neither the District nor the Issuing and Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC or any DTC Participant with respect to any ownership interest in the Commercial Paper Notes, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Commercial Paper Notes, as shown on the

Registration Books, of any notice with respect to the Commercial Paper Notes, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Commercial Paper Notes, as shown in the Registration Books, of any amount with respect to principal of or interest on the Commercial Paper Notes.

Whenever, during the term of the Commercial Paper Notes, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in the Program Note Resolution of holding, registering, delivering, exchanging, or transferring the Commercial Paper Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to holding, registering, delivering, exchanging, or transferring the book-entry to produce the same effect.

The District or DTC each may determine to discontinue the book-entry only system and, unless a new book-entry only system is put in place, physical certificates in the form set forth in Exhibit A attached hereto shall be provided to the beneficial owners of the Commercial Paper Notes.

If at any time, DTC ceases to hold the Commercial Paper Notes, all references to DTC in the Program Note Resolution shall be of no further force or effect.

Whenever the beneficial ownership of the Commercial Paper Notes is determined by a book-entry at DTC, delivery of Commercial Paper Notes for payment at maturity shall be made pursuant to DTC's payment procedures as are in effect from time to time and the DTC Participants shall transmit payment to beneficial owners whose Commercial Paper Notes have matured. The District and each of the Issuing and Paying Agent, the Banks and the Dealer are not responsible for transfer of payment to the DTC Participants or beneficial owners.

(b) *Terms Applicable to the Direct Purchase Notes.* Subject to the limitations contained in the Program Note Resolution and the Note Purchase Agreements, Program Notes issued as Direct Purchase Notes shall be dated on or before, and within thirty (30) days of, their date of issuance (Note Date), as determined by an Authorized Representative; shall bear interest and mature as set forth in the Note Purchase Agreement (but in no event in any case shall the interest payable on the Direct Purchase Notes exceed the amount determined at the Maximum Interest Rate); and all Direct Purchase Notes shall mature on or before the Maximum Maturity Date.

Direct Purchase Notes may be sold to either of the Banks at par (within the interest rate restrictions provided in the Program Note Resolution and the Note Purchase Agreements). Direct Purchase Notes may be issued only as Tax-Exempt Notes.

U.S. Bank National Association shall initially serve as Paying Agent/Registrar for the Direct Purchase Notes, and the District covenants to keep and maintain with the Paying Agent/Registrar at its Designated Office books and records (Registration Books) for the registration, payment, transfer and exchange of the Direct Purchase Notes, all as provided in this Program Note Resolution and reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The District covenants to maintain and provide a Paying Agent/Registrar at all times while the Direct Purchase Notes are outstanding, which shall be a national or state banking association or corporation or trust company organized and doing business under the laws of the United States of America or of any state and authorized under its laws to exercise trust powers.

Should a change in the Paying Agent/Registrar for any Direct Purchase Notes occur, the District agrees to promptly cause a written notice to be sent to the Banks by United States mail, first-class postage prepaid. The notice shall give the address of the successor Paying Agent/Registrar. The District may not appoint a successor Paying Agent/Registrar without the consent of the Banks.

The Direct Purchase Notes shall be issued to the Banks in registered form, without coupons. The principal of and interest on the Direct Purchase Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the Holder of the Direct Purchase Note; principal is to be payable upon presentation and surrender of the Direct Purchase Note at the Designated Office and interest is to be payable to the registered owner thereof either (i) by check sent by United States mail, first-class postage prepaid, to the address of the registered owner appearing on the Registration Books of the District maintained by the Paying Agent/Registrar or (ii) by any other method, acceptable to the Paying Agent/Registrar, requested by the Holder.

A copy of the Registration Books shall be provided to the District by the Paying Agent/Registrar, by means of telecommunications equipment or other means as are mutually agreed to, within two Business Days of either the opening of the Registration Books or any change in the Registration Books.

The District and Paying Agent/Registrar may treat the registered payee as the absolute owner of any Direct Purchase Note for the purpose of receiving payment and for all purposes, and the District and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary. Direct Purchase Notes will not be issued in book-entry form.

**Section 4. Program Notes.** Commercial Paper Notes are authorized to be issued and sold and delivered from time to time as Taxable Notes or as Tax-Exempt Notes in principal amounts as determined by an Authorized Representative in Authorized Denominations, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Commercial Paper Note shall (i) mature after the Maximum Maturity Date, (ii) have a term in excess of two hundred seventy (270) days or (iii) be issued in a manner that would cause the District to violate the covenants set forth in Section 7 hereof. Interest, if any, on Commercial Paper Notes shall be payable at maturity with principal.

Direct Purchase Notes are authorized to be issued and sold only as Tax-Exempt Notes and delivered from time to time in principal amounts as determined by an Authorized Representative in Authorized Denominations, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Direct Purchase Note shall (i) mature after the Maximum Maturity Date or (ii) be issued in a manner that would cause the District to violate the covenants set forth in Section 7 hereof. Interest on Direct Purchase Notes shall be payable on the dates and in the manner set forth in the applicable Note Purchase Agreement.

An Authorized Representative will notify the Banks and the applicable Dealer of each new issuance of Program Notes and confirm that at the time of the new issuance (after giving

effect to the new issuance), the aggregate principal amount of Program Notes and Advances outstanding does not exceed \$500,000,000.

### **Section 5. Issuance and Sale of Program Notes.**

(a) *Completion of Commercial Paper Notes.* Commercial Paper Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with telephonic, electronic or written instructions of the Authorized Representative and the Issuing and Paying Agent Agreement. To the extent instructions are not written, they shall be confirmed in writing by the Authorized Representative within twenty-four (24) hours. The instructions shall specify the Commercial Paper Notes to be sold, whether the Commercial Paper Notes are designated as Tax-Exempt Notes or as Taxable Notes, the applicable Commitment under which the Commercial Paper Notes are being issued (BANA Commercial Paper Notes or JPMCB Commercial Paper Notes, as applicable), and the principal amounts, dates of issue, maturities, rates of discount or interest, or the formula or method of calculating interest and the basis upon which it is to be computed, and other terms and conditions which may be determined by the Authorized Representative at the time of sale of the Commercial Paper Notes. The instructions shall include the purchase price of the Commercial Paper Notes, and, if the Commercial Paper Notes are not held in accordance with a book-entry only system, a request that the Issuing and Paying Agent authenticate the Commercial Paper Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to the Commercial Paper Notes. The rules of the New York Clearinghouse shall apply. The instructions shall also contain provisions representing that all action on the part of the District necessary for the valid issuance of the Commercial Paper Notes then to be issued has been taken, that all provisions of Kentucky and federal law necessary for the valid issuance of the Commercial Paper Notes designated as Tax-Exempt Notes with provision for interest exemption from federal income taxation have been complied with, if applicable, and that the Commercial Paper Notes in the hands of the Holders will be valid and enforceable obligations of the District according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent constitutionally applicable and that, if applicable, based upon the advice of Bond Counsel, the stated interest on the Commercial Paper Notes designated as Tax-Exempt Notes is exempt from federal income taxation. The instructions shall also certify that:

(i) no Event of Default under Section 33 hereof has occurred and is continuing as of the date of the instructions and that the Issuing and Paying Agent has not received a Notice of No-Issuance (as defined in the Agreements);

(ii) the District has been advised by Bond Counsel that the projects to be financed with the proceeds of the Commercial Paper Notes will constitute Eligible Projects or that the obligations to be refunded were issued in connection with Eligible Projects;

(iii) the District is in compliance with the covenants set forth in Sections 7, 22, 25, 26, and 28 hereof as of the date of the instructions;

(iv) the District has been advised by Bond Counsel that the proposed expenditure of the proceeds of Commercial Paper Notes for Eligible Projects and the

refunding of Commercial Paper Notes issued for Eligible Projects will not cause the District to be in violation of its covenants set forth in Sections 29, 30, and 31 hereof;

(v) the sum of the interest payable on the Commercial Paper Note will not exceed a yield (calculated on the principal amount of the Commercial Paper Note on the basis of actual number of days elapsed, and a 365-day year) to the maturity date of the Commercial Paper Note in excess of the Maximum Interest Rate;

(vi) all action on the part of the District necessary for the valid issuance of the Commercial Paper Notes then to be issued has been taken;

(vii) all provisions of Kentucky and federal law necessary for the valid issuance of the Commercial Paper Notes have been complied with;

(viii) the Commercial Paper Notes held by the Holders will be valid and enforceable obligations of the District according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights, to the extent constitutionally applicable; and

(ix) any and all conditions to the issuance of Commercial Paper Notes under the Revolving Credit Agreements have been fully satisfied.

(b) *Execution of Revolving Credit Agreements.* Upon their execution and delivery, the Revolving Credit Agreements are in full force and effect and loans may be made in accordance with the terms of the Revolving Credit Agreements.

(c) *Completion of Direct Purchase Notes.* Direct Purchase Notes shall be completed and delivered by the Paying Agent/Registrar in accordance with telephonic, electronic or written instructions of the Authorized Representative. To the extent instructions are not written, they shall be confirmed in writing by the Authorized Representative within twenty-four (24) hours. The instructions shall specify the Direct Purchase Notes to be sold, the applicable Commitment under which the Direct Purchase Notes are being issued and the principal amounts, dates of issue, maturities, and other terms and conditions which may be determined by the Authorized Representative at the time of sale of the Direct Purchase Notes. The Direct Purchase Notes will bear interest at the rates and in the manner set forth in the applicable Note Purchase Agreement. The instructions shall include the purchase price of the Direct Purchase Notes, and a request that the Paying Agent/Registrar authenticate the Direct Purchase Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser upon receipt of payment. The instructions shall also contain provisions representing that all action on the part of the District necessary for the valid issuance of the Direct Purchase Notes then to be issued has been taken, that all provisions of Kentucky and federal law necessary for the valid issuance of the Direct Purchase Notes with provision for interest exemption from federal income taxation have been complied with, and that the Direct Purchase Notes in the hands of the applicable Bank will be valid and enforceable obligations of the District according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent constitutionally applicable and that, if applicable, based upon the advice of Bond Counsel,

the stated interest on the Direct Purchase Notes designated as Tax-Exempt Notes is exempt from federal income taxation. The instructions shall also certify that:

(i) no Event of Default under Section 33 hereof has occurred and is continuing as of the date of the instructions;

(ii) the District has been advised by Bond Counsel that the projects to be financed with the proceeds of the Direct Purchase Notes will constitute Eligible Projects or that the obligations to be refunded were issued in connection with Eligible Projects;

(iii) the District is in compliance with the covenants set forth in Sections 7, 25, 26, and 28 hereof as of the date of the instructions;

(iv) the District has been advised by Bond Counsel that the proposed expenditure of the proceeds of Direct Purchase Notes for Eligible Projects and the refunding of Direct Purchase Notes issued for Eligible Projects will not cause the District to be in violation of its covenants set forth in Sections 29, 30, and 31 hereof;

(v) any and all conditions to the issuance of Direct Purchase Notes under the applicable Note Purchase Agreement have been fully satisfied;

(vi) all action on the part of the District necessary for the valid issuance of the Direct Purchase Notes then to be issued has been taken;

(vii) all provisions of Kentucky and federal law necessary for the valid issuance of the Direct Purchase Notes have been complied with; and

(viii) the Direct Purchase Notes held by the applicable Bank will be valid and enforceable obligations of the District according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights, to the extent constitutionally applicable.

(d) *Execution of Note Purchase Agreements.* Upon their execution and delivery, the Note Purchase Agreements are in full force and effect.

**Section 6. Proceeds of Sale of Program Notes.** (a) *Commercial Paper Note Proceeds.* The proceeds of the sale of any Commercial Paper Notes (net of all expenses and costs of sale and issuance) shall be applied for any or all of the following purposes as directed by an Authorized Representative:

(i) Proceeds shall first be used for the payment of outstanding Commercial Paper Notes at or prior to maturity and the repayment in full of Advances and any other amounts due under the Revolving Credit Agreements shall be deposited to the Note Payment Fund;

(ii) Proceeds not retained in the Note Payment Fund as provided in subparagraph (i) above shall be transferred and deposited to the Note Construction Account and used and applied in accordance with the provisions of Section 18 hereof; and



(iii) Proceeds to be used for the payment of outstanding Bonds or Subordinate Lien BANS (if prior approval is given by the Board and the Banks) shall be transferred to the appropriate account or fund established pursuant to the proceedings authorizing the issuance of the Bonds or Subordinate Lien BANS, as applicable.

(b) *Direct Purchase Note Proceeds.* The proceeds of the sale of any Direct Purchase Notes (net of all expenses and costs of sale and issuance) shall be applied for any or all of the following purposes as directed by an Authorized Representative:

(i) Proceeds shall first be used for the payment of outstanding Direct Purchase Notes at or prior to maturity and the payment in full of any amounts due under the applicable Note Purchase Agreement shall be deposited to the Direct Purchase Payment Fund;

(ii) Proceeds not retained in the Direct Purchase Payment Fund as provided in subparagraph (i) above shall be transferred and deposited to the Note Construction Account and used and applied in accordance with the provisions of Section 18 hereof; and

(iii) Proceeds to be used for the payment of outstanding Bonds or Subordinate Lien BANS (if prior approval is given by the Board and the Banks) shall be transferred to the appropriate account or fund established pursuant to the proceedings authorizing the issuance of the Bonds or Subordinate Lien BANS, as applicable.

**Section 7. Limitation on Issuance.** Unless The Board amends the Program Note Resolution in accordance with the provisions of Section 37 hereof, the District covenants that there will not be issued and outstanding at any time under the Program Note Resolution more than \$500,000,000 in aggregate principal amount of Program Notes, provided further, however, that the total principal amount of all Program Notes outstanding at any one time and the total amount of interest accrued or to accrue thereon shall not exceed the applicable Commitment. For purposes of this Section 7 any portion of outstanding Program Notes to be paid from money on deposit in the Note Payment Fund (in the case of Commercial Paper Notes) or the Direct Purchase Payment Fund (in the case of Direct Purchase Notes), and available proceeds of Program Notes or Bonds shall not be considered outstanding on that day. Any improvement or extension to the Systems to be funded with Program Notes must qualify as an Eligible Project, and the District shall not direct the Issuing and Paying Agent to issue Commercial Paper Notes that mature after the Maximum Maturity Date.

While the Revolving Credit Agreements are in effect and support the payment of all or any principal amount of the Commercial Paper Notes, the District covenants and agrees that the total principal amount of all Commercial Paper Notes outstanding at any one time and the total amount of interest accrued or to accrue on the Commercial Paper Notes shall not exceed the applicable Commitment.

**Section 8. Punctual Payment.** The District will punctually pay or cause to be paid the principal of and interest on the Program Notes and the Bank Notes (but only from the sources pledged by the Program Note Resolution), in conformity with the Program Notes, the Program Note Resolution, the Revolving Credit Agreements or the Note Purchase Agreements.

**Section 9. Payment and Performance on Business Days.** Whenever under the terms of the Program Note Resolution or the Program Notes, the performance date of any of their provisions, including the payment of principal of or interest on the Program Notes, shall occur on a day other than a Business Day, then performance, including the payment of principal of and interest on the Program Notes, need not be made on that day but may be performed or paid on the next succeeding Business Day with the same force and effect as if made on that day.

**Section 10. Form of Program Notes.** (a) *Commercial Paper Notes.* The Commercial Paper Notes and the Certificate of Authentication to appear on each of the Commercial Paper Notes shall be substantially in the form set forth in Exhibit A attached hereto, with appropriate insertions, omissions, substitutions and other variations as are permitted or required by the Program Note Resolution, and may have letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and legends and endorsements as may be approved by an Authorized Representative. The Commercial Paper Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

If Commercial Paper Notes are issued in book-entry only form pursuant to Section 3(a), hereof they shall be issued in the form of the Master Note approved by council pursuant to the Program Note Resolution, to which there shall be attached the form of Commercial Paper Note as prescribed above, and the Board hereby finds and declares that the provisions of the Commercial Paper Note are incorporated into and shall be a part of the Master Note. The Board hereby finds and declares that the Program Note Resolution and the form of Commercial Paper Note shall constitute the "underlying records" referred to in the Master Note. Notwithstanding the provisions of Section 11 hereof, the Master Note may be executed on behalf of the District with the manual signature of the Chair, the Vice-Chair or the Chief Financial Officer of the District.

(b) *Direct Purchase Notes.* The Direct Purchase Notes and the Certificate of Authentication to appear on each of the Direct Purchase Notes shall be substantially in the form set forth in Exhibit B attached hereto, with appropriate insertions, omissions, substitutions and other variations as are permitted or required by the Program Note Resolution, and may have letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and legends and endorsements as may be approved by an Authorized Representative. The Direct Purchase Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

**Section 11. Execution; Authentication.** The Program Notes shall be executed on behalf of the District by the Chair or Vice-Chair of the Board, and attested by the Secretary-Treasurer under its seal reproduced or impressed thereon, all as provided in Section 10 hereof (or in case of the Master Note and the Bank Notes, executed on behalf of the District by the Chair, the Vice-Chair or the Chief Financial Officer of the District). The signatures appearing on the Program Notes (including the Master Note) may be manual or facsimile. Program Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the District on the date of passage of the Program Note Resolution are duly executed on behalf of the District, regardless of whether any individual ceases to hold office at the time of the initial sale

and delivery of Program Notes or at the time Program Notes are delivered in future sales, exchanges and transfers.

No Commercial Paper Note shall be entitled to any right or benefit under the Program Note Resolution, or be valid or obligatory for any purpose, unless there appears on the Commercial Paper Note a certificate of authentication executed by the Paying Agent/Registrar by manual signature, or, in the case of the Master Note, the Issuing and Paying Agent has executed the Master Note, and the execution of any Commercial Paper Note by the Paying Agent/Registrar is the only evidence necessary for the Commercial Paper Note to be duly certified or registered and delivered.

No Direct Purchase Note shall be entitled to any right or benefit under the Program Note Resolution, or be valid or obligatory for any purpose, unless there appears on the Direct Purchase Note a certificate of authentication executed by the Paying Agent/Registrar by manual signature, and the execution of any Direct Purchase Note by the Paying Agent/Registrar is the only evidence necessary for the Direct Purchase Note to be duly certified or registered and delivered.

**Section 12. Notes Mutilated, Lost, Destroyed or Stolen.** If any Program Note shall become mutilated, the District, at the expense of the Holder of the Program Note, shall execute and deliver a new Program Note of like tenor and number in exchange and substitution for the Program Note so mutilated, but only upon surrender to the District of the Program Note so mutilated. If any Program Note shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the District and, if evidence be satisfactory to it and indemnity satisfactory to it shall be given, the District, at the expense of the owner, shall execute and deliver a new Program Note of like tenor in lieu of and in substitution for the lost, destroyed or stolen Program Note. Neither the District nor the Paying Agent/Registrar shall be required to treat both the original Program Note and any duplicate Program Note as being outstanding for the purpose of determining the principal amount of Program Notes which may be issued hereunder, but both the original and the duplicate Program Note shall be treated as one and the same.

**Section 13. Negotiability, Registration and Exchangeability.** The obligations issued under the Program Note Resolution, including the Bank Notes, shall be, and shall have all of the qualities and incidents of, a negotiable instrument under the laws of the Commonwealth of Kentucky, and each successive Holder, in accepting any obligation, agrees that the obligations shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the Commonwealth of Kentucky.

The Registration Books relating to the registration, payment and transfer or exchange of the Commercial Paper Notes shall at all times be kept and maintained by the District at the Designated Office of the Registrar, and the Registrar shall obtain, record and maintain in the Registration Books the name and address of each registered owner of the Commercial Paper Notes, except for Commercial Paper Notes registered to bearer, issued under the Program Note Resolution, and the Registrar shall provide the information to the District as described in Section 3(a) hereof. Any Commercial Paper Note may, in accordance with its terms and the terms of the Program Note Resolution, be transferred or exchanged for Commercial Paper Notes of like tenor and character and in Authorized Denominations upon the Registration Books by the Holder in person or by its duly authorized agent, upon surrender of the Commercial Paper Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for

exchange duly executed by the Holder or by its duly authorized agent, in form satisfactory to the Registrar.

Upon surrender for transfer of any Commercial Paper Note at the Designated Office of the Registrar, the Registrar shall register and deliver, in the name of each designated transferee (or to bearer, as appropriate), one or more new Commercial Paper Notes executed on behalf of, and furnished by, the District of like tenor and character and in Authorized Denominations and having the same maturity, bearing interest at the same rate or rates and of a like aggregate principal amount as the Commercial Paper Note or Commercial Paper Notes surrendered for transfer.

Commercial Paper Notes may be exchanged for other Commercial Paper Notes of like tenor and character and of Authorized Denominations and having the same maturity, bearing the same rate or rates of interest and of like aggregate principal amount as the Commercial Paper Notes surrendered for exchange, upon surrender of the Commercial Paper Notes to be exchanged at the Designated Office of the Registrar. Whenever any Commercial Paper Notes is surrendered for exchange, the Registrar shall register and deliver new Commercial Paper Notes of like tenor and character as the Commercial Paper Notes exchanged, executed on behalf of, and furnished by, the District to the Holder requesting the exchange.

The District and the Registrar may charge the Noteholder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first exchange or transfer. The Registrar or the District may also require payment from the Holder of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. These charges and expenses shall be paid before a new Commercial Paper Note shall be delivered.

New Commercial Paper Notes delivered upon any transfer or exchange shall be valid obligations of the District, evidencing the same debt as the Commercial Paper Notes surrendered, shall be secured by the Program Note Resolution and shall be entitled to all of the security and benefits of the Program Note Resolution to the same extent as the Commercial Paper Notes surrendered.

The District reserves the right to change the registration and transferability provisions of the Commercial Paper Notes at any time on or prior to the delivery of Commercial Paper Notes in order to comply with applicable laws and regulations of the United States in effect at the time of their issuance.

The applicable Paying Agent/Registrar shall maintain the Registration Books for the Direct Purchase Notes.

**Section 14. Cancellation.** All Commercial Paper Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest due and payable or are surrendered for transfer or exchange pursuant to the provisions of the Program Note Resolution shall, upon payment or issuance of new Commercial Paper Notes, be cancelled by the Paying Agent/Registrar, and the Paying Agent/Registrar shall transmit to the District a certificate identifying the Commercial Paper Notes that have been duly cancelled and destroyed.

All Direct Purchase Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest due and payable or are surrendered

for transfer or exchange pursuant to the provisions of the Program Note Resolution shall, upon payment or issuance of new Direct Purchase Notes, be cancelled by the Paying Agent/Registrar, and the Paying Agent/Registrar shall transmit to the District a certificate identifying the Direct Purchase Notes that have been duly cancelled and destroyed.

**Section 15. Financial Advisor and Other Agents.** The District may from time to time appoint and provide for the payment of additional financial advisors, paying or other agents and trustees as the Board deems necessary or appropriate in connection with the Program Notes.

**Section 16. Note Payment Fund.** There is hereby created, established and directed to be maintained a separate and special fund within the Subordinated Debt Fund to be held and administered by the Issuing and Paying Agent designated as the "Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Subordinated Program Notes, Commercial Paper Sub-Series Note Payment Fund" (Note Payment Fund). Moneys on deposit in the Note Payment Fund shall be used to pay principal of and interest on Commercial Paper Notes as the same shall become due and payable as provided in the Program Note Resolution and to repay any Advances and any other obligations of the District to the Banks under the Revolving Credit Agreements (evidenced by the Bank Notes). Amounts remaining in the Note Payment Fund not then necessary for the payment of Commercial Paper Notes or the repayment of Advances may be transferred to the Note Construction Account (created pursuant to Section 18) hereof at the request of an Authorized Representative; provided, that if any amount is due and payable under the Bank Notes or the Revolving Credit Agreements, no amounts shall be transferred to the Note Construction Account without the prior written consent of the Banks.

Additionally all proceeds of Advances shall be deposited into the Note Payment Fund and used to pay the principal of and interest on the Commercial Paper Notes.

Pending the expenditure of moneys in the Note Payment Fund for authorized purposes, moneys deposited therein may be invested at the direction of the Chief Financial Officer or the designee thereof in Eligible Investments; provided, that moneys received by the District under the terms of the Revolving Credit Agreements and moneys received in connection with a rollover of Commercial Paper Notes shall remain uninvested. Any investment income shall be deposited, as received, into the Revenue Fund established by the General Bond Resolution and shall not be considered an amount held in the Note Payment Fund.

**Section 17. Direct Purchase Payment Fund.** There is hereby created, established and directed to be maintained by the District a separate and special fund within the Subordinated Debt Fund designated as the "Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Subordinated Program Notes, Commercial Paper Sub-Series Payment Fund" (Direct Purchase Payment Fund). Within the Direct Purchase Payment Fund, there is hereby created, established and directed to be maintained by the District two subaccounts designated as the "BANA Direct Purchase Account" and the "JPMCB Direct Purchase Account." Moneys on deposit in the Direct Purchase Payment Fund shall be used to pay principal of and interest on Direct Purchase Notes as the same shall become due and payable as provided in the Program Note Resolution and the Note Purchase Agreements. The District agrees that it will timely transfer funds to the Paying Agent/Registrar in amounts sufficient to pay the interest on and principal of the Direct Purchase Notes when due, no later than the date payment of principal and interest is due and payable. Amounts remaining in the Direct Purchase Payment Fund not

then necessary for the payment of Direct Purchase Notes may be transferred to the Note Construction Account at the request of an Authorized Representative.

Pending the expenditure of moneys in the Direct Purchase Payment Fund for authorized purposes, moneys deposited therein may be invested at the direction of the Chief Financial Officer or the designee thereof in Eligible Investments. Any investment income shall be deposited, as received, into the Revenue Fund established by the General Bond Resolution and shall not be considered an amount held in the Direct Purchase Payment Fund.

**Section 18. Note Construction Account.** There is hereby created, established and directed to be maintained by the District a separate account designated as the "Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Subordinated Program Notes Note Construction Account" (Note Construction Account). The Note Construction Account shall be held by the District with U.S. Bank National Association. The District shall account for moneys deposited into the Note Construction Account from Commercial Paper Notes and Direct Purchase Notes issued. Moneys deposited in the Note Construction Account shall be expended to pay for Project Costs, and to refund Bonds, Subordinated Lien BANS or Program Notes issued in connection with Eligible Projects, and shall not be used for any other purpose, except as provided below, and pending their expenditure, moneys therein may be invested at the direction of the Chief Financial Officer of the District or his designee in Eligible Investments. Any investment income received (except as otherwise required to be rebated to the United States of America in accordance with the provisions of Section 29 hereof) shall be deposited, as received, into the Revenue Fund established by the General Bond Resolution and shall not be considered an amount held in the Note Construction Account.

Amounts on deposit in the Note Construction Account funded with proceeds of Commercial Paper Notes and designated by an Authorized Representative as eligible to pay interest during construction and up to one year after construction is completed may be transferred from time to time at the direction of an Authorized Representative to the credit of the Note Payment Fund for use in accordance with the terms of Section 16 hereof. Any amounts that were funded with the proceeds of Commercial Paper Notes remaining in the Note Construction Account after the payment of all Project Costs shall be paid into the Note Payment Fund and used either for the payment of the maturities of the Commercial Paper Notes coming due as may be selected by an Authorized Representative or for the payment of Advances or other amounts owing under the Revolving Credit Agreements. In the event no Commercial Paper Notes are Outstanding and there are no outstanding Advances or other amounts owing under the Revolving Credit Agreements, any amounts in the Note Construction Account that were originally provided from the proceeds of Commercial Paper Notes not anticipated to be needed to pay Project Costs shall be transferred to the debt service fund established for the payment of the Bonds, when issued.

Amounts on deposit in the Note Construction Account funded with proceeds of Direct Purchase Notes and designated by an Authorized Representative as eligible to pay interest during construction and up to one year after construction is completed may be transferred from time to time at the direction of an Authorized Representative to the credit of the Direct Purchase Payment Fund for use in accordance with the terms of Section 17 hereof. Any amounts that were funded with the proceeds of Direct Purchase Notes remaining in the Note Construction Account after the payment of all Project Costs shall be paid into the Direct Purchase Payment Fund and

used for the payment of the maturities of the Direct Purchase Notes coming due as may be selected by an Authorized Representative. In the event no Direct Purchase Notes are Outstanding, any amounts in the Note Construction Account that were originally funded from the proceeds of Direct Purchase Notes not anticipated to be needed to pay Project Costs shall be transferred to the debt service fund established for the payment of the Bonds, when issued.

**Section 19. Pledge; Payments.** The Program Notes (including the Bank Notes) and any obligations of the District to the Banks under the Revolving Credit Agreements, the Note Purchase Agreements and the Fee Letters are obligations of the District payable from and secured solely by the pledged funds pursuant to the Program Note Resolution. The District agrees to make payments into the Note Payment Fund and the Direct Purchase Payment Fund at the times and in the amounts as are necessary to provide for the full payment of the principal of and the interest on the Commercial Paper Notes and the Direct Purchase Notes, as the case may be, when due, and the repayment of Advances made under and pursuant to the Revolving Credit Agreements and any obligations of the District to the Banks under the Revolving Credit Agreements, the Note Purchase Agreements and the Fee Letters.

To provide security for the payment of the principal of and interest on the Commercial Paper Notes and any other amounts due under the Revolving Credit Agreement as the same shall become due and payable, the District grants a lien on and pledge of, subject only to the provisions of the Program Note Resolution permitting the application of the sources listed for purposes and on the terms and conditions set forth in the Program Note Resolution, (i) the proceeds from (a) the sale of bonds issued and to be used to pay outstanding Commercial Paper Notes and (b) the sale of Commercial Paper Notes issued pursuant to the Program Note Resolution and to be used to refund outstanding Commercial Paper Notes, (ii) Advances, (iii) the amounts held in the Note Payment Fund until those amounts are used for authorized purposes, (iv) the Pledged Property (a) on a parity with the lien and pledge securing the payment of the Direct Purchase Notes, the Subordinate Lien BANS and the lien and pledge securing the payment of Advances made under and pursuant to the Revolving Credit Agreements, and (b) subordinate to the lien on and pledge securing the payment of Bonds, and (v) the amounts remaining on deposit in the Note Construction Account after the payment of all Project Costs. The Board hereby finds and declares that the principal of and interest on the Commercial Paper Notes and any other amounts due under the Revolving Credit Agreements shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources identified in clauses (i), (ii), (iii), (iv) and (v) subject and subordinate only to the exceptions noted above.

To provide security for the payment of the principal of and interest on Advances and any other amounts due under the Revolving Credit Agreements and the Fee Letters as the same shall become due and payable, the District grants a lien on and pledge of the Pledged Property, subject only to the provisions of the Program Note Resolution permitting the application of Pledged Property for purposes and on the terms and conditions set forth in the Program Note Resolution; however, this lien on and pledge of the Pledged Property, and the lien and pledge securing the Commercial Paper Notes, the Direct Purchase Notes and the Subordinate Lien BANS is subordinate only to the lien on and pledge of the Pledged Property securing the payment of Bonds and the debt service and reserve funds relating to the Bonds, and being on a parity and of equal dignity with the lien and pledge securing the payment of the Program Notes and the Subordinate Lien BANS. It is hereby resolved, ordered and directed that the payment obligations under the Bank Notes are secured by a lien on the Pledged Property, and such lien is valid,

binding and fully perfected on the adoption of this Program Note Resolution without physical delivery or transfer of control of the Pledged Property, the filing of the Program Note Resolution or any other act.

To provide security for the payment of the principal of and interest on the Direct Purchase Notes and any other amounts due under the Note Purchase Agreements and the Fee Letters as the same shall become due and payable, the District grants a lien on and pledge of, subject only to the provisions of the Program Note Resolution permitting the application of the sources listed for purposes and on the terms and conditions set forth in the Program Note Resolution, (i) the proceeds from (a) the sale of Bonds issued and to be used to pay outstanding Direct Purchase Notes and (b) the sale of Direct Purchase Notes issued pursuant to the Program Note Resolution and to be used to refund outstanding Direct Purchase Notes, (ii) the amounts held in the Direct Purchase Payment Fund until those amounts are used for authorized purposes, (iii) the Pledged Property (a) on a parity with the lien and pledge securing the payment of the Commercial Paper Notes, the Subordinate Lien BANS and the lien and pledge securing the payment of Advances made under and pursuant to the Revolving Credit Agreements, and (b) subordinate to the lien on and pledge securing the payment of Bonds, and (iv) the amounts remaining on deposit in the Note Construction Account after the payment of all Project Costs. The Board hereby finds and declares that the principal of and interest on the Direct Purchase Notes shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources identified in clauses (i), (ii), (iii) and (iv) subject and subordinate only to the exceptions noted above.

Consistent with the provisions of Section 27 hereof, the District intends to refinance Program Notes issued from time to time pursuant to the terms of the Program Note Resolution through the issuance of Bonds issued under authority of Chapter 76 of the Kentucky Revised Statutes, as amended, and the General Bond Resolution, and the Program Notes so refunded shall be treated as having the intended terms and payment schedule of the Bonds to be issued for the refunding thereof.

The pledge herein made is valid and effective, without the need for further filing or perfection. If Kentucky law is amended at any time while the Program Notes or the Bank Notes are outstanding or any amount is owing under the Revolving Credit Agreements, the Note Purchase Agreements or the Fee Letters such that the pledge of the Pledged Property granted by the District is to be subject to the filing requirements of Chapter 355.9 of the Kentucky Revised Statutes, as amended (the Kentucky Uniform Commercial Code), then to preserve to the Noteholders and the Banks the perfection of the security interest in the pledge, the District agrees to take measures as it determines are reasonable and necessary under Kentucky law to comply with the applicable provisions of Chapter 355.9 of the Kentucky Revised Statutes, as amended, and enable a filing to perfect the security interest in the pledge to occur.

**Section 20. Funds Secured.** Moneys in all funds and accounts, to the extent not invested, shall be secured in the manner prescribed by law for securing moneys of the District.

**Section 21. Revolving Credit Agreements.** The Revolving Credit Agreements and the Fee Letters, substantially in the forms attached to the Program Note Resolution as Exhibit C, are approved, and shall be entered into with the Banks. Any of the Chair, Vice-Chair or Chief Financial Officer is hereby authorized to execute and deliver the Revolving Credit Agreements, the Fee Letters and the Related Documents (as defined in the Revolving Credit Agreements),



with such changes therein as shall not be materially adverse to the District, the execution thereof by such officer to constitute conclusive evidence that such changes are not materially adverse to the District. The Secretary-Treasurer of the District is authorized to place the District seal on these instruments.

The District reserves the right to issue Commercial Paper Notes without credit or liquidity support, as provided in Section 22(b) hereof.

**Section 22. Maintenance of Available Credit and Liquidity Facilities Requirement.**

(a) Except as provided in Section 22(b) hereof, the District covenants that at all times up to and including the Maximum Maturity Date, unless the Commercial Paper Notes are no longer outstanding, it will maintain credit or liquidity facilities with banks, assuming that all then outstanding Commercial Paper Notes were to become due and payable immediately, in amounts available for borrowing under the credit or liquidity facilities sufficient at that time to pay principal and interest of all Commercial Paper Notes. No Commercial Paper Note shall be issued if after giving effect to its issuance and, if applicable, the immediate application of its proceeds to retire other Commercial Paper Notes secured by the credit or liquidity facility, the aggregate principal amount of all Commercial Paper Notes secured by the credit or liquidity facility would exceed the amount of the Commitment under the credit or liquidity facility. The availability for borrowing of amounts under the credit or liquidity facilities may be subject to reasonable conditions precedent, including, but not limited to, bankruptcy of the District. In furtherance of this covenant, the District agrees that it will not issue any Commercial Paper Notes or make any borrowings which will result in a violation of the covenant, will not amend the Revolving Credit Agreements in a manner which will cause a violation of the covenant and, if and to the extent necessary to maintain compliance with the covenant, will arrange for new credit or liquidity facilities.

(b) The provisions of Section 22(a) hereof notwithstanding, the Board may amend the Program Note Resolution, in accordance with the provisions of Section 37 hereof, to provide that Commercial Paper Notes issued under authority of the Program Note Resolution may be issued without support of liquidity and/or credit facilities. To exercise the authority reserved by this Section 22(b), the District shall provide written notice to each Dealer, the Issuing and Paying Agent and the Rating Agencies (as defined in the Issuing and Paying Agent Agreement) of the Board's determination to amend the Program Note Resolution to permit Commercial Paper Notes to be issued without liquidity and/or credit support. This notice shall be provided no later than ninety (90) days prior to the proposed date the Board is to consider for adoption an Program Note Resolution amending the Program Note Resolution for the purpose described in this Section 22(b). The District shall cause written notice to be provided to the Noteholders no less than fifteen (15) days prior to the date the Board enacts the amendatory Program Note Resolution. No amendatory Program Note Resolution shall be adopted if, on or before the date the Board considers the amendatory Program Note Resolution, the ratings to be assigned to the Commercial Paper Notes not being supported by a liquidity and/or credit facility are lower than A-1 or its equivalent. Commercial Paper Notes issued under the Program Note Resolution with liquidity and/or credit facility support shall be retired in full either through the issuance of Bonds or with the proceeds of Commercial Paper Notes issued without the support of a liquidity and/or credit facility.

**Section 23. Program Note Resolution to Constitute a Contract; Equal Security.** In consideration of the acceptance of the Program Notes and the Bank Notes by those who shall

hold the same from time to time, the Program Note Resolution constitutes a contract between the District and the Holders from time to time of the Program Notes and the Banks (with respect to the Bank Notes) and the pledge made in the Program Note Resolution by the District and the covenants and agreements set forth in the Program Note Resolution to be performed by the District shall be for the equal and proportionate benefit, security and protection of all Holders of the Program Notes and the Bank Notes, without preference, priority or distinction as to security or otherwise of any of the Program Notes or the Bank Notes authorized by this Program Note Resolution over any of the others by reason of time of issuance, sale or maturity or otherwise for any cause, except as expressly provided in or permitted by this Program Note Resolution or, with respect to Advances, the Revolving Credit Agreements.

**Section 24. Application of Prior Covenants.** The covenants and agreements (to the extent the same do not conflict with the covenants and agreements in this Program Note Resolution) contained in the General Bond Resolution authorizing the issuance of the Bonds are incorporated by reference into this Program Note Resolution and are for the benefit and protection of the Holders from time to time of the Commercial Paper Notes and for the protection of the Banks and their rights under and pursuant to the Revolving Credit Agreements and the Note Purchase Agreements in like manner as applicable to the Bonds and Subordinate Lien BANS; provided, however, in the event of any conflict between the terms, covenants and agreements contained in the Program Note Resolution and the terms, covenants and agreements contained in the General Bond Resolution authorizing the issuance of the Bonds, the provisions of the General Bond Resolution authorizing the issuance of the Bonds shall control.

**Section 25. Rates and Charges.** The District hereby agrees and reaffirms its covenants to the holders of the Bonds and covenants to the holders of the Program Notes and the Banks that it will at all times maintain rates and charges for the services furnished, provided, and supplied by the System which shall comply with the provisions of the General Bond Resolution, be reasonable and non-discriminatory and produce Revenues in each Fiscal Year from the System sufficient:

1. To pay the System's Operating Expenses,
2. To produce Net Revenues of the System, collectively or individually, as the case may be, sufficient (i) to pay the amounts required to be deposited in any reserve or contingency fund and interest and sinking fund maintained for the payment and security of the Bonds and (ii) to satisfy any annual debt service coverage requirement specified in the General Bond Resolution.
3. To comply with any provisions contained in the Revolving Credit Agreements and the Note Purchase Agreements and to the extent the same are incurred or reasonably anticipated to be paid with Pledged Property, to pay the interest on and principal of the Subordinate Lien Ban or the repayment of Advances or the Bank Notes or the Direct Purchase Notes and any other amounts due the Banks under the Revolving Credit Agreements, the Note Purchase Agreements and the Fee Letters, as and when the same shall become due; and
4. any other legal debt or obligation of the Systems, either or both, as and when the same shall become due.

**Section 26. System Funds.** The District reaffirms its covenants to the holders of the Bonds, and covenants to the Holders of the Program Notes and to the Banks, as follows:

All Revenues shall be promptly deposited by the District upon receipt thereof into the Revenue Fund.

There shall be withdrawn in each month the following amounts from the Revenue Fund, for deposit as set forth below and in the order of priority set forth below.

FIRST: (i) to the debt service account established for the Bonds under the General Bond Resolution (the "Bond Fund") the amount, if any, required so that the balance therein shall equal the accrued aggregate debt service as of the last day of the then current month or, if interest or principal are required to be paid to the holders of Bonds during the next succeeding month on a day other than the first day of such month, accrued aggregate debt service as of the day through and including which such interest or principal is required to be paid and (ii) to the reserve account established for the Bonds under the General Bond Resolution (the "Reserve Fund") the amount, if any, required for such Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Reserve Fund pursuant to the General Bond Resolution, to equal one-twelfth (1/12) of the difference between (A) the amount then in the Reserve Fund immediately preceding such deposit and (B) the actual debt service reserve requirement as of the last day of the then current month; and

SECOND: to the Senior Subordinated Debt Fund the amount, if any, required to pay the scheduled base and additional rental payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor, in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Senior Subordinated Debt; and

THIRD: such amounts as are necessary to meet Operating Expenses for such month; and

FOURTH: to the Renewal and Replacement Account, a sum equal to 1/12 of the amount, if any, provided in the District's annual budget to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency.

The balance of monies remaining in the Revenue Fund after the above required payments have been made may be used by the District for any lawful purpose relating to the System; provided, however, that none of the remaining monies shall be used for any purpose other than those hereinabove specified unless all current payments and including all deficiencies in prior payments, if any, have been made in full and unless the District shall have complied fully with all the covenants and provisions of the General Bond Resolution.

**Section 27. Bonds.** The District hereby acknowledges that the Program Notes are being issued as bond anticipation notes, and the District in good faith shall endeavor to sell a sufficient principal amount of Bonds in order to have funds available, together with other available

moneys, to pay the principal and interest on the Program Notes, or any renewals of the Program Notes (including the Bank Notes), as the same shall become due, and any other amounts due under the Agreement, the Note Purchase Agreements and the Fee Letters. The District does not reasonably expect to pay the principal and interest on the Program Notes (including the Bank Notes) with Pledged Property.

**Section 28. Compliance with General Bond Resolution and Other Documents.**

The District will comply with the terms and provisions of the General Bond Resolution, and any other resolution or contract to which the District is a party, the non-compliance with which would materially adversely affect the ability of the District to make payments on the Program Notes (including the Bank Notes) when due.

**Section 29. Tax-Exempt Program Notes to Remain Tax Exempt.** The District covenants to take any action to assure, or refrain from any action which would adversely affect, the treatment of Program Notes designated as Tax-Exempt Notes and further covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Tax-Exempt Notes or the projects financed with the proceeds thereof (less amounts deposited to a reserve fund, if any) are used for any "private business use", as defined in Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether received by the District, with respect to the private business use, do not, under the terms of the Program Note Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Tax-Exempt Notes, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) exceeds 5 percent of the proceeds of the Tax-Exempt Notes or the projects financed with the proceeds thereof (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate", within the meaning of Section 141(b)(3) of the Code, to the governmental use;

(b) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Tax-Exempt Notes (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

(c) to refrain from taking any action which would otherwise result in the Tax-Exempt Notes being treated as "private activity bonds" within the meaning of Section 141(b) of the Code;

(d) to refrain from taking any action that would result in the Tax-Exempt Notes being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(e) to refrain from using any proceeds of the Tax-Exempt Notes, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire "investment property" (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Tax-Exempt Notes, other than investment property acquired with --

1. proceeds of Tax-Exempt Notes invested for a reasonable temporary period until the proceeds are needed for the purpose for which the obligations are issued,

2. amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Regulations, and

3. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed 10 percent of the proceeds of the Tax-Exempt Notes;

(f) to otherwise restrict the use of the proceeds of the Tax-Exempt Notes or amounts treated as proceeds of the Tax-Exempt Notes, as may be necessary, so that the Tax-Exempt Notes do not otherwise contravene the requirements of Section 148 of the Code (relating to arbitrage) and, to the extent applicable, Section 149(d) of the Code (relating to advance refundings);

(g) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Tax-Exempt Notes) an amount that is at least equal to 90 percent of the "Excess Earnings", within the meaning of Section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Tax-Exempt Notes have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under Section 148(f) of the Code; and

(h) to timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on the forms, at the places and in the manner as may be prescribed by law.

The District represents and covenants that it will not expend, or permit to be expended, the proceeds of any Tax-Exempt Notes in any manner inconsistent with its reasonable expectations as certified in a federal tax certificate to be executed from time to time with respect to the Tax-Exempt Notes; provided, however, that the District may expend Tax-Exempt Note proceeds in any manner if the District first obtains an unqualified opinion of Bond Counsel that the expenditure will not impair the exemption from federal income taxation of interest paid on the Tax-Exempt Notes. The District represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon.

The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Regulations and, in the case of a refunding bond, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Tax-Exempt Notes. It is the understanding of the District that the covenants contained in this Section are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant to the Code. In the event that regulations or rulings are promulgated which modify or expand provisions of the Code, as applicable to the Tax-Exempt Notes, the District will not be required to comply with any covenant contained in this Section to the extent that a failure to comply, in the opinion of Bond Counsel, will not adversely affect the exemption from federal income taxation of interest on the Tax-Exempt Notes under Section 103 of the Code. In the event that regulations or rulings are promulgated which impose additional requirements applicable to the Tax-Exempt Notes, the District agrees to comply with the

additional requirements to the extent necessary, in the opinion of Bond Counsel, to preserve the exemption from federal income taxation of interest on the Tax-Exempt Notes under Section 103 of the Code. The Board hereby authorizes each of the Chair, the Vice-Chair, the Chief Financial Officer of the District and the Secretary-Treasurer to execute any documents, certificates or reports required by the Code, and to make elections on behalf of the District which may be permitted by the Code as are consistent with the purpose for the issuance of the Tax-Exempt Notes.

In order to facilitate compliance with the above clause (g), a "Rebate Fund" is established by the District for the sole benefit of the United States of America, and the Rebate Fund shall not be subject to the claim of any other person, including without limitation the Holders. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code.

**Section 30. Allocation of and Limitation on, Expenditures for Eligible Projects.** The District covenants to account for on its books and records the expenditure of proceeds from the sale of the Program Notes and any investment earnings earned by the investment of the proceeds to be used for Eligible Projects by allocating proceeds to expenditures within eighteen (18) months of the later of the date that (a) the expenditure on a Eligible Project is made or (b) each Eligible Project is completed. The foregoing notwithstanding, the District shall not expend proceeds or investment earnings more than sixty (60) days after the later of (a) the fifth anniversary of the date of delivery of the Program Notes or (b) the date the Program Notes are retired, unless the District obtains an opinion of Bond Counsel substantially to the effect that the expenditure will not adversely affect the tax-exempt status of any Tax-Exempt Notes. The District shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel to the effect that a failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

**Section 31. Disposition of Eligible Projects.** The District covenants that the property constituting an Eligible Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of Bond Counsel substantially to the effect that the sale or other disposition will not adversely affect the tax-exempt status of any Tax-Exempt Notes. Personal property disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. The District shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel to the effect that a failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest payable on any Tax-Exempt Notes.

**Section 32. Ongoing Continuing Disclosure Covenant.** To the extent required by the provisions of Rule 15c2-12 (Rule) promulgated by the U.S. Securities and Exchange Commission, the District agrees to enter into an agreement to file financial information and operating data with respect to the Commercial Paper Notes with the Electronic Municipal Marketplace Access (EMMA) system administered by the MSRB. The District agrees to provide the Banks a written copy of the District's continuing disclosure undertaking filings in connection with its Bonds or Subordinate Lien BANS that it files with the MSRB.

**Section 33. Events of Default.** If one or more of the following events shall occur:

(a) if default in the due and punctual payment of any installment of principal of and interest on any Program Note occurs, when and as the same shall become due and payable, whether at maturity, by declaration or otherwise;

(a) an "Event of Default" shall have occurred and be continuing under any Revolving Credit Agreement and notice, if required under the terms of the Revolving Credit Agreement, of the event shall have been furnished to the District by either of the Banks;

(b) an "Event of Default" shall have occurred and be continuing under either of the Note Purchase Agreements and notice, if required under the terms of the applicable Note Purchase Agreement, of the event shall have been furnished to the District by the applicable Bank;

(c) if default by the District in the performance or observance of any other of the covenants, agreements or conditions on its part in the Program Note Resolution or in the Commercial Paper Notes occurs, and the default shall continue for a period of sixty (60) days after written notice has been received by the District from either of the Banks, a Holder of the Program Notes, either Dealer or the Issuing and Paying Agent; provided, however, if the default cannot be cured within the sixty (60) day period but corrective action to cure the default is commenced and diligently pursued by the District until the default is corrected, the default shall not be an Event of Default; and provided, further, that so long as the Agreement is in effect and neither of the Banks has failed to honor a properly presented and conforming request for an Advance under the Agreements, no Event of Default shall be deemed to have occurred under this clause (d) unless the notice provided above to the District has been consented to in writing by the Bank;

(d) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of the District or the filing by the District of a voluntary petition in bankruptcy, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of its creditors, or the entry by the District into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceeding for the adjustment of its debts instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may be in effect or enacted; or

(e) if an order or decree shall be entered, with the consent or acquiescence of the District, appointing a receiver or receivers of the System, or any part of the System, or of the rents, fees, charges or other revenues of the System, or if an order or decree, having been entered without the consent or acquiescence of the District shall not be vacated or discharged or stayed within ninety (90) days of its entry;

then any event described above is an "Event of Default" under the Program Note Resolution.

**Section 34. Suits at Law or in Equity and Mandamus.** In case any Event of Default occurs, then the Holder of any Program Note at the time outstanding, is entitled to proceed to protect and enforce its rights by appropriate judicial proceeding as the Holder or either of the Banks, respectively, determines most effectual to protect and enforce its rights, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Program Note Resolution, or in aid of the exercise of any power granted in the

Program Note Resolution, or to enforce any other legal or equitable right vested in the Holders of any Program Notes by the Program Note Resolution or the Program Notes or by law. The provisions of this Program Note Resolution shall be a contract with each and every Holder of Program Notes and the duties of the District shall be enforceable by any Noteholder or the Bank, respectively, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

**Section 35. Remedies Not Exclusive.** No remedy conferred upon or reserved to the Banks or the Holders of Program Notes by this Program Note Resolution is intended to be exclusive of any other remedy, and every remedy shall be cumulative, and may be exercised at any time or from time to time, and as often as may be necessary, by either of the Banks or the Holder of any one or more of the Program Notes.

**Section 36. Supplemental Program Note Resolutions.** Except as permitted by this Program Note Resolution, including Section 28 hereof, with respect to the issuance or incurrence of additional obligations of the District secured by the Pledged Property, the District will not adopt any supplemental resolutions with respect to the Pledged Property, pursuant to the General Bond Resolution authorizing the issuance of Bonds or otherwise, without the prior written consent of the Banks.

**Section 37. Amendments or Modifications Without Consent of Holders of Program Notes.** This Program Note Resolution and the rights and obligations of the District and of the Holders of Program Notes may be modified or amended at any time by a supplemental resolution, without notice to or the consent of any Holders, but only to the extent permitted by law, and, subject to the rights of the Banks and the Holders of the Program Notes:

(a) to add to the covenants and agreements of the District in the Program Note Resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the District by the Program Note Resolution;

(b) to increase the principal amount of Subordinate Lien BANS that may be outstanding at any one time under the terms of the Subordinated BANS Resolution authorizing the issuance of Subordinate Lien BANS, or to issue additional commercial paper notes under the Act; provided that, with respect to the Commercial Paper Notes, the District satisfies either (i) the requirements of Section 22(a) hereof in providing liquidity or credit support with respect to the increased principal amount of Commercial Paper Notes authorized to be outstanding at any one time or (ii) the requirements of Section 22(b) hereof to issue the increased principal amount of Commercial Paper Notes without liquidity and/or credit support;

(c) to cure any ambiguity or inconsistency, or to cure or correct any defective provision contained in the Program Note Resolution, upon receipt by the District of an approving opinion of Bond Counsel, that the amendment is necessary or advisable, and will more clearly express the intent of the Program Note Resolution;

(d) to effect changes the Board determines are necessary or advisable in connection with exercising the authority reserved to the District in Section 22(b) hereof; or

(e) to supplement the security for the Program Notes, replace or provide additional credit or liquidity facilities, make changes, modifications or amendments as may be necessary or desirable in order to obtain the approval of the Program Note Resolution by the Legislative



Council of the Louisville/Jefferson County Metro Government (the "Council"), as required by Section 44 hereof, or to obtain or maintain the granting of a rating on the Program Notes by a nationally recognized municipal bond rating agency, or change the form of the Program Notes, or make any other changes in the provisions that are necessary or desirable and which shall not materially adversely affect the security, rights or interests of the Banks or the Holders of the Program Notes;

provided, however, that no amendment to the Program Note Resolution or of the Program Notes is permitted to:

- A. Make any change in the maturity of any outstanding Program Notes or the Bank Notes;
- B. Reduce the rate of interest borne by any outstanding Program Notes or the Bank Notes;
- C. Reduce the amount of the principal payable on any outstanding Program Notes or the Bank Notes;
- D. Modify the terms of payment of principal of or interest on the outstanding Program Notes or the Bank Notes, or impose any conditions with respect to their payment;
- E. Affect the security, rights or interests of the Banks or the Holders of less than all of the outstanding Program Notes; or
- F. Reduce or restrict the pledge made pursuant to Section 19 hereof for payment of the Program Notes or the Bank Notes;

and provided, further, that no change, modification or amendment shall be made in the Program Note Resolution or become valid and effective (i) without the approval of the change, modification or amendment by the Council, to the extent required by the Act, and (ii) without the prior written consent of the Banks (which, in the case of an amendment authorizing an increase in the principal amount of Program Notes at any one time outstanding, shall mean the written consent of the Banks providing, as of the effective date of the authority to issue additional Program Notes in excess of the maximum principal amount of Program Notes then authorized at any one time to be outstanding, the liquidity or credit support, if any, required by Section 22(a) hereof).

**Section 38. Additional Actions.** Any Authorized Representative of the District is authorized, jointly and severally, to do any and all things and to execute and deliver any and all certificates, instruments and other documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Program Notes and to effectuate the purposes of the Program Note Resolution, the Revolving Credit Agreements, the Fee Letters, the Dealer Agreements, the Issuing and Paying Agent Agreement, the Note Purchase Agreements, and the Offering Memorandum. By passing the Program Note Resolution, the Board authorizes the payment of the fees and expenses incurred and to be paid by the District in connection with the issuance, sale and delivery of the Program Notes and the execution and delivery of the Revolving Credit Agreements, the Fee Letters, the Dealer Agreements, the Note Purchase

Agreements, and the Issuing and Paying Agent Agreement, including, without limitation, fees of Rating Agencies.

**Section 39. Limitation of Benefits With Respect to the Program Note Resolution.**

With the exception of the rights or benefits expressly conferred by the Program Note Resolution, nothing expressed or contained in, or implied from the provisions of, the Program Note Resolution or the Program Notes is intended or should be construed to confer upon or give to any person other than the District, the Holders of the Program Notes, the Banks, the Issuing and Paying Agent, the Paying Agent/Registrar, and the parties to the Dealer Agreements and the Revolving Credit Agreements, any legal or equitable right, remedy or claim under or by reason of or in respect to the Program Note Resolution or any of its covenants, conditions, stipulations, promises, agreements or provisions. The Program Note Resolution and all of the covenants, conditions, stipulations, promises, agreements and provisions are intended to be and shall be for and inure to the sole and exclusive benefit of the District, the Holders of the Program Notes, the Issuing and Paying Agent, the Paying Agent/Registrar, and the parties to the Dealer Agreements and the Revolving Credit Agreements.

Section 40. [RESERVED].

Section 41. Issuing and Paying Agent Agreement; Dealer Agreements; Note Purchase Agreements. (a) *Issuing and Paying Agent Agreement.* The Issuing and Paying Agent Agreement by and between the District and U.S. Bank National Association, relating to the Program Notes, substantially in the form to the Program Note Resolution attached hereto as Exhibit D, is approved as to form and content, and any of the Chair, Vice-Chair or the Chief Financial Officer is authorized to execute the Issuing and Paying Agent Agreement for and on behalf of the District with such changes therein as shall not be materially adverse to the District, the execution thereof by such officer to constitute conclusive evidence that such changes are not materially adverse to the District. Any Authorized Representative is hereby authorized to enter into any supplemental agreement with the Issuing and Paying Agent or with any successor Issuing and Paying Agent in order to implement the functions of the Issuing and Paying Agent or Registrar with respect to the Program Notes. Any successor Issuing and Paying Agent shall be a financial institution of recognized national standing organized and existing under the laws of the United States of America or the Commonwealth of Kentucky and which has trust powers. The successor Issuing and Paying Agent shall have assumed the duties of the Issuing and Paying Agent to be replaced before it shall be relieved of the obligation to perform the duties as Issuing and Paying Agent, and the successor Issuing and Paying Agent shall have executed an agreement substantially in the same form and substance as the Issuing and Paying Agent Agreement approved by the Program Note Resolution.

(b) *Dealer Agreements.* Merrill Lynch, Pierce, Fenner & Smith, Incorporated is hereby appointed to serve as the dealer for the BANA Commercial Paper Notes and JP Morgan Securities, LLC is hereby appointed to serve as the dealer for the JPMCB Commercial Paper Notes. Each of the Dealer Agreements by and between the District and the applicable Dealer pertaining to the sale, from time to time, of Program Notes or the purchase of Commercial Paper Notes from the District, at a fee as set forth in the Dealer Agreements, substantially in the form attached to this Program Note Resolution as Exhibit E, is approved as to form and content, and any of the Chair, Vice-Chair or the Chief Financial Officer is authorized to execute and deliver the Dealer Agreements for and on behalf of the District with such changes therein as shall not be materially adverse to the District, the execution thereof by such officer to constitute conclusive

evidence that such changes are not materially adverse to the District. Any Authorized Representative is hereby authorized to enter into any supplemental agreement with the Dealer or with any successor Dealer in order to implement the functions of a Dealer with respect to the Commercial Paper Notes.

(c) *Note Purchase Agreements.* Each of the Note Purchase Agreements by and between the District and the Banks, relating to the sale and purchase of Direct Purchase Notes, substantially in the form attached to the Program Note Resolution as Exhibit F, is approved as to form and content and any of the Chair, Vice-Chair or the Chief Financial Officer is authorized to execute the Note Purchase Agreement for and on behalf of the District with such changes therein as shall not be materially adverse to the District, the execution thereof by such officer to constitute conclusive evidence that such changes are not materially adverse to the District. Any Authorized Representative is hereby authorized to enter into any supplemental agreements with the Banks or with any successors to the Banks in order to implement the functions of the Banks with respect to the purchase and sale of Direct Purchase Notes.

**Section 42. Opinion Of Bond Counsel.** The District shall cause the legal opinion of Bond Counsel as to the validity of the Program Notes and as to the exemption of interest on the Tax-Exempt Notes from federal income taxation to be furnished to any Holder without cost. In connection with the annual updating of the Offering Memorandum (as provided in accordance with Section 43 hereof) if required by the Dealer Agreement, an annual updated opinion of Bond Counsel shall be furnished, at the cost of the District or the Dealer, as may be requested by either the District or the Dealer.

**Section 43. Use of Offering Memorandum.** The use by the Dealer of the Offering Memorandum, prepared by the Dealer in consultation with Authorized Representatives, in connection with the sale of Program Notes, and the distribution of the Offering Memorandum by the Dealer, is approved. Any Authorized Representative is hereby authorized to provide to the Dealer information as may be necessary, in the reasonable judgment of the Dealer, to prepare and update, on an annual basis, the Offering Memorandum.

**Section 44. Approval of Council.** The Authorized Representative shall submit the Program Note Resolution to the Council for approval, as required by the Act. No Program Notes shall be sold or delivered by an Authorized Representative until the Council shall have approved the issuance of the Program Notes authorized by this Program Note Resolution, as required by the Act.

**Section 45. Severability.** If any one or more of the covenants, agreements or provisions contained in the Program Note Resolution shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason be held invalid, then those covenants, agreements or provisions shall be null and void and shall be separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions of, or of the Program Notes issued under, the Program Note Resolution.

**Section 46. Effective Date.** This Program Note Resolution shall take effect on its adoption by the Board of the District.

THIS PROGRAM NOTE RESOLUTION WAS ADOPTED ON MAY 29, 2018.

**LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT**

By: \_\_\_\_\_  
Its: Chair

Attest:

\_\_\_\_\_  
Secretary-Treasurer

EXHIBIT A

Form of Commercial Paper Note:

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM [TAX-EXEMPT][TAXABLE] SUBORDINATED  
PROGRAM NOTE, COMMERCIAL PAPER SUB-SERIES

No.: \_\_\_\_\_

Principal Amount: \_\_\_\_\_

Interest to Maturity: \_\_\_\_\_

Due at Maturity: \_\_\_\_\_

Note Date: \_\_\_\_\_

Maturity Date: \_\_\_\_\_

Number of Days: \_\_\_\_\_

Interest Rate (%): \_\_\_\_\_

Owner: \_\_\_\_\_

Louisville and Jefferson County Metropolitan Sewer District (the "District"), a public body corporate and political subdivision of the Commonwealth of Kentucky, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the party specified above on the maturity date specified above, the principal sum specified above and to pay interest, if any, on said principal amount at said maturity date, from the above specified note date to said maturity date at the per annum interest rate shown above (computed on the basis of actual days elapsed and a 365-day year); both principal and interest on this Note being payable in lawful money of the United States of America at the designated corporate trust office of the Issuing and Paying Agent executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the principal amount hereof after the maturity date hereof. Defined terms used herein shall have the same meaning given to said terms in the hereinafter defined Program Note Resolution, unless the context of the use of such term indicates otherwise. The interest rate borne by this Note shall not exceed the Maximum Interest Rate.

This Note is one of an issue of commercial paper notes (the "Commercial Paper Notes" or the "Notes") which has been duly authorized and issued in accordance with the provisions of a resolution (the "Program Note Resolution") adopted by the Board of the District for the purpose of financing Project Costs of Eligible Projects for the District's Sewer and Drainage System (the "System"); to refund obligations issued in connection with an Eligible Project; and to refinance, renew or refund Program Notes, Bonds, Subordinate Lien BANS and any other authorized

obligations of the System, including interest thereon, issued for Eligible Projects; all in accordance in strict conformity with the provisions of the laws of the Commonwealth of Kentucky, including Chapters 65, 58 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended (collectively, the “Act”).

This Commercial Paper Note, together with the other Commercial Paper Notes, is payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the sale of other Commercial Paper Notes issued for such purpose and (b) the sale of a series or issue of bonds hereafter issued by the District and to be used to pay or refund outstanding Program Notes, (ii) Advances under and pursuant to the Revolving Credit Agreements providing liquidity support to the District under the terms and conditions set forth therein, (iii) the Pledged Property (identified and defined in the Program Note Resolution) of the System, such lien on and pledge of the Pledged Property, however, being (a) on a parity with the lien and pledge securing the payment of the Direct Purchase Notes and the Subordinate Lien BANS (identified and defined in the Program Note Resolution), and (b) subordinate to the lien on and pledge securing the payment of Bonds (identified and defined in the Program Note Resolution) now outstanding and hereafter issued, and (iv) amounts in certain funds and accounts established pursuant to the Program Note Resolution. As provided in the Program Note Resolution, this Commercial Paper Note is being issued as a bond anticipation note.

This Commercial Paper Note, together with the other Commercial Paper Notes, is payable solely from the sources hereinabove identified securing the payment thereof, and the Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the District or the System. The holder hereof shall never have the right to demand payment of this obligation from taxation or any sources or properties of the District except as identified above.

It is hereby certified and recited that all acts, conditions and things required by law and the Program Note Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Commercial Paper Note, do exist, have happened and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Commercial Paper Note, together with all other Commercial Paper Notes, is not in excess of the principal amount of Commercial Paper Notes permitted to be issued under the Program Note Resolution.

This Commercial Paper Note has all the qualities and incidents of a negotiable instrument under the laws of the Commonwealth of Kentucky.

This Commercial Paper Note shall not be entitled to any benefit under the Program Note Resolution or be valid or become obligatory for any purpose until this Commercial Paper Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

IN WITNESS WHEREOF, the Louisville and Jefferson County Metropolitan Sewer District, in the Commonwealth of Kentucky, has caused this Commercial Paper Note to be officially signed with the imprinted facsimile signature of its Chair and attested by the imprinted facsimile signature of the Secretary-Treasurer, all as of the Note Date set forth above.

**LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT**

By: \_\_\_\_\_  
Chair

ATTEST:

By: \_\_\_\_\_  
Secretary-Treasurer

ISSUING AND PAYING AGENT'S  
CERTIFICATE OF AUTHENTICATION

This Commercial Paper Note is one of the Commercial Paper Notes delivered pursuant to the within mentioned Program Note Resolution.

U.S. Bank National Association, as Issuing and  
Paying Agent

By:

\_\_\_\_\_  
Authorized Signatory



EXHIBIT B

Form of Direct Purchase Note:

THE TRANSFERABILITY OF THIS NOTE IS RESTRICTED AS DESCRIBED IN THE  
NOTE PURCHASE AGREEMENT

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT  
SEWER AND DRAINAGE SYSTEM SUBORDINATED PROGRAM NOTE, DIRECT  
PAPER SUB-SERIES

No.: \_\_\_\_\_

Principal Amount: \_\_\_\_\_

Interest to Maturity: \_\_\_\_\_

Due at Maturity: \_\_\_\_\_

Note Date: \_\_\_\_\_

Maturity Date: \_\_\_\_\_

Number of Days: \_\_\_\_\_

Interest Rate: As set forth in the Note Purchase Agreement Owner

Owner: \_\_\_\_\_

Louisville and Jefferson County Metropolitan Sewer District (the "District"), a public body corporate and political subdivision of the Commonwealth of Kentucky, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the party specified above on the maturity date specified above, the principal sum specified above and to pay interest, if any, on said principal amount on \_\_\_\_\_, 20\_\_\_\_, and on each thereafter until the maturity date, from the above specified note date to said maturity date at the rate set forth in and determined in accordance with the terms of the Note Purchase Agreement pursuant to which this Note was purchased; both principal and interest on this Note being payable in lawful money of the United States of America at the designated corporate trust office of the Issuing and Paying Agent executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the principal amount hereof after the maturity date hereof. Defined terms used herein shall have the same meaning given to said terms in the hereinafter defined Program Note Resolution, unless the context of the use of such term indicates otherwise. The interest rate borne by this Note shall not exceed the Maximum Interest Rate.

This Note is one of an issue of direct purchase notes (the "Direct Purchase Notes" or the "Notes") which has been duly authorized and issued in accordance with the provisions of a

resolution (the "Program Note Resolution") adopted by the Board of the District for the purpose of financing Project Costs of Eligible Projects for the District's Sewer and Drainage System (the "System"); to refund obligations issued in connection with an Eligible Project; and to refinance, renew or refund Program Notes, Bonds, Subordinate Lien BANS and any other authorized obligations of the System, including interest thereon, issued for Eligible Projects; all in accordance in strict conformity with the provisions of the laws of the Commonwealth of Kentucky, including Chapters 65, 58 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended (collectively, the "Act").

This Direct Purchase Note, together with the other Direct Purchase Notes, is payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the sale of other Direct Purchase Notes issued for such purpose and (b) the sale of a series or issue of bonds hereafter issued by the District and to be used to pay or refund outstanding Direct Purchase Notes, (ii) the Pledged Property (identified and defined in the Program Note Resolution) of the System, such lien on and pledge of the Pledged Property, however, being (a) on a parity with the lien and pledge securing the payment of the Direct Purchase Notes and the Subordinate Lien BANS (identified and defined in the Program Note Resolution), and (b) subordinate to the lien on and pledge securing the payment of Bonds (identified and defined in the Program Note Resolution) now outstanding and hereafter issued, and (iii) amounts in certain funds and accounts established pursuant to the Program Note Resolution. As provided in the Program Note Resolution, this Direct Purchase Note is being issued as a bond anticipation note.

This Direct Purchase Note, together with the other Direct Purchase Notes, is payable solely from the sources hereinabove identified securing the payment thereof, and the Direct Purchase Notes do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the District or the System. The holder hereof shall never have the right to demand payment of this obligation from taxation or any sources or properties of the District except as identified above.

It is hereby certified and recited that all acts, conditions and things required by law and the Program Note Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Direct Purchase Note, do exist, have happened and have been performed in regular and in due time, form and manner as required by law and that the issuance of this Direct Purchase Note, together with all other Direct Purchase Notes, is not in excess of the principal amount of Direct Purchase Notes permitted to be issued under the Program Note Resolution.

This Direct Purchase Note has all the qualities and incidents of a negotiable instrument under the laws of the Commonwealth of Kentucky.

This Direct Purchase Note shall not be entitled to any benefit under the Program Note Resolution or be valid or become obligatory for any purpose until this Direct Purchase Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

IN WITNESS WHEREOF, the Louisville and Jefferson County Metropolitan Sewer District, in the Commonwealth of Kentucky, has caused this Direct Purchase Note to be officially signed with the imprinted facsimile signature of its Chair and attested by the imprinted facsimile signature of the Secretary-Treasurer, all as of the Note Date set forth above.

**LOUISVILLE AND JEFFERSON COUNTY  
METROPOLITAN SEWER DISTRICT**

By: \_\_\_\_\_  
Chair

ATTEST:

By: \_\_\_\_\_  
Secretary-Treasurer

**ISSUING AND PAYING AGENT'S  
CERTIFICATE OF AUTHENTICATION**

This Direct Purchase Note is one of the Direct Purchase Notes delivered pursuant to the within mentioned Program Note Resolution.

U.S. Bank National Association, as Issuing and  
Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

## EXHIBIT C

### Form of Revolving Credit Agreement and the Fee Letter

EXHIBIT D

Form of Issuing and Paying Agent Agreement

EXHIBIT E

Form of Dealer Agreement

EXHIBIT F

Form of Note Purchase Agreement

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